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SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-74506; File No. SR-NASDAQ-2015-020)

Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend NASDAQ Rules 7014

March 13, 2015

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on March 2, 2015, The NASDAQ Stock Market LLC (“NASDAQ” or the “Exchange”) filed with the Securities and Exchange Commission (“Commission”) a proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

NASDAQ is proposing changes to the Investor Support Program (“ISP”) and the Qualified Market Maker (“QMM”) Incentive Program under NASDAQ Rule 7014.

The text of the proposed rule change is available at nasdaq.cchwallstreet.com, at NASDAQ’s principal office, and at the Commission’s Public Reference Room.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, NASDAQ included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of those statements may be examined at the places specified in

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

NASDAQ is proposing to amend NASDAQ Rule 7014(c) to remove a member's ISP credit at the \$0.00005 rate with respect to all shares of displayed liquidity that are executed at a price of \$1 or more in the Nasdaq Market Center during a given month, as well as the related qualifying requirements for an ISP member to qualify for such a credit.

Also, the Exchange is proposing to amend NASDAQ Rule 7014(e)(1) to apply QMM rebates only to securities listed on NYSE ("Tape A") and securities listed on exchanges other than NASDAQ and NYSE ("Tape B"). Specifically, only Tape A and Tape B securities will be eligible to receive the additional QMM rebate of \$0.0002 per share executed with respect to orders that are executed at a price of \$1 or more and (A) displayed a quantity of at least one round lot at the time of execution; (B) either established the NBBO or was the first order posted on NASDAQ that had the same price as an order posted at another trading center with a protected quotation that established the NBBO; (C) were entered through a QMM MPID; and (D) that no additional rebate will be issued with respect to Designated Retail Orders (as defined in NASDAQ Rule 7018) ("Additional QMM Rebate Criteria").³

Similarly, the Exchange is proposing to amend NASDAQ Rule 7014(e)(2) to have only Tape A and Tape B securities receive the credit of \$0.0001 per share executed with respect to all other displayed orders (other than Designated Retail Orders, as defined in Rule 7018) in

³ The correction of a typographical error in the numbering in the middle of NASDAQ Rule 7014(e)(1) will also be included (changing a "(4)" to ("E")).

securities priced at \$1 or more per share that provide liquidity and that are entered through a QMM MPID.

The proposed changes are intended to better align credits within the ISP and QMM programs, as well as to fix a typographical error in the rule text of NASDAQ Rule 7014(e)(1).

2. Statutory Basis

NASDAQ believes that the proposed rule change is consistent with the provisions of section 6 of the Act,⁴ in general, and with sections 6(b)(4) and 6(b)(5) of the Act,⁵ in particular, in that it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system which NASDAQ operates or controls, and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

NASDAQ believes that the proposed changes to the ISP Program in NASDAQ Rule 7014(c) is reasonable because it eliminates an unnecessary credit, and related qualifying requirements, at the \$0.00005 rate with respect to all shares of displayed liquidity that are executed at a price of \$1 or more in the Nasdaq Market Center during a given month. The Exchange believes that the two other credit tiers that remain available to ISP members provide sufficient incentive. Also, the credit proposed to be eliminated is the least economically advantageous to ISP members. The Exchange also believes this change is consistent with a fair allocation of a reasonable fee and not unfairly discriminatory because the removal of this credit applies to all ISP members equally.

The Exchange believes that the proposed change to the QMM Program in NASDAQ Rule 7014(e)(1) of only having Tape A and Tape B securities be eligible to receive the additional

⁴ 15 U.S.C. 78f.

⁵ 15 U.S.C. 78f(b)(4) and (5).

QMM rebate of \$0.0002 per share executed with respect to orders that are executed at a price of \$1 or more and that meet the Additional QMM Rebate Criteria, is reasonable because the Exchange believes that firms no longer need the additional incentive to quote at the NBBO in Nasdaq-listed securities (“Tape C”). The Exchange also believes this change is consistent with a fair allocation of a reasonable fee and not unfairly discriminatory because the additional rebate only applying to Tape A and Tape B securities will apply uniformly to all QMM members.

The Exchange also believes that the proposed change to the QMM Program in NASDAQ Rule 7014(e)(2) of only having Tape A and Tape B securities receive the additional QMM credit of \$0.0001 per share executed with respect to all other displayed orders (other than Designated Retail Orders, as defined in Rule 7018) in securities priced at \$1 or more per share that provide liquidity and that are entered through a QMM MPID is reasonable because the Exchange believes that firms no longer need the additional incentive to quote in Tape C.

The Exchange also believes that this change is consistent with a fair allocation of a reasonable fee and not unfairly discriminatory because the additional QMM credit only applying to Tape A and Tape B securities will apply uniformly to all QMM members.

B. Self-Regulatory Organization’s Statement on Burden on Competition

NASDAQ does not believe that the proposed rule changes will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended.⁶ NASDAQ notes that it operates in a highly competitive market in which market participants can readily favor competing venues if they deem fee levels at a particular venue to be excessive, or rebate opportunities available at other venues to be more favorable. In such an environment, NASDAQ must continually adjust its fees to remain competitive with other

⁶ 15 U.S.C. 78f(b)(8).

exchanges and with alternative trading systems that have been exempted from compliance with the statutory standards applicable to exchanges. Because competitors are free to modify their own fees in response, and because market participants may readily adjust their order routing practices,

NASDAQ believes that the degree to which fee changes in this market may impose any burden on competition is extremely limited or even non-existent. In this instance, the changes to credits for the ISP and QMM programs do not impose a burden on competition because these NASDAQ incentive programs remain in place, still offer economically advantageous credits, and are reflective of the need for exchanges to offer and to let the financial incentives to attract order flow evolve. While the Exchange does not believe that the proposed changes will result in any burden on competition, if the changes proposed herein are unattractive to market participants it is likely that NASDAQ will lose market share as a result.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants or Others

Written comments were neither solicited nor received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing change has become effective pursuant to section 19(b)(3)(A)(ii) of the Act.⁷ At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

⁷ 15 U.S.C. 78s(b)(3)(A)(ii).

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>);
or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-NASDAQ-2015-020 on the subject line.

Paper comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-NASDAQ-2015-020. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>).

Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will also be available for inspection and copying at the

principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NASDAQ-2015-020, and should be submitted on or before **[INSERT DATE 21 DAYS FROM PUBLICATION IN THE FEDERAL REGISTER]**.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁸

Brent J. Fields,
Secretary.
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⁸ 17 CFR 200.30-3(a)(12).